



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

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State Auditor

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PEARL PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2003

PEARL PUBLIC SCHOOL DISTRICT

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PEARL PUBLIC SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

PEARL PUBLIC SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
Pearl Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pearl Public School District as of and for the year ended June 30, 2003, which collectively comprise the Pearl Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pearl Public School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The school district did not maintain adequate subsidiary records documenting the existence, completeness and valuation of the capital assets, net, reported on the Statement of Net Assets at \$18,065,830, as of June 30, 2003. Accordingly, we were unable to satisfy ourselves as to the fair presentation of capital assets and related transactions of the governmental activities.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine adequate capital assets subsidiary records as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Pearl Public School District as of June 30, 2003, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Pearl Public School District as of June 30, 2003, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended June 30, 2003, the district implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

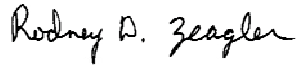
In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2004, on our consideration of the Pearl Public School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 13 and the Budgetary Comparison Schedule and corresponding notes on pages 41 through 42 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pearl Public School District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

April 20, 2004

PEARL PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

PEARL PUBLIC SCHOOL DISTRICT

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PEARL PUBLIC SCHOOL DISTRICT
MANAGAMENT'S DICUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2003

The discussion and analysis of Pearl Schools' financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The School District has elected not to present comparative data.

FINANCIAL HIGHLIGHTS

- Total net assets decreased \$529,844, which represents a 3% decrease from fiscal year 2002.
- General revenues account for \$19,460,603 in revenue, or 84% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,662,037 or 16% of total revenues.
- The District had \$23,051,535 in expenses; only \$3,662,037 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$19,460,603 were adequate to provide for these programs.
- Among major funds, the General Fund had \$18,175,717 in revenues and \$17,721,020 in expenditures. The General Fund's fund balance increased \$122,830 over the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$3,594,034. The difference is quite large due to the fact that this was the first year depreciation was taken.
- Long-term debt increased by \$9,015,640 due to a \$10,950,000 bond issue received in this fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

The government-wide financial statements can be found in this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are in this report, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements are in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets in this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be in this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund. This required supplementary information can be found in this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$14,573,232 as of June 30, 2003.

By far the largest portion of the District's net assets (65%) reflects its investment in capital assets (e.g., land, buildings, building improvements, mobile equipment, furniture and equipment, construction in progress and cash reserved for new construction), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. Cash reserved for future construction is included as a part of these net assets because the district borrowed \$10,950,000, but has only spent approximately \$1,000,000, leaving the difference to be spent for future construction.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2003.

	<u>Amount</u>
Current assets	\$ 17,083,525
Capital assets, net	<u>18,065,830</u>
Total assets	<u>35,149,355</u>
Current liabilities	1,772,771
Long-term debt outstanding	<u>18,803,352</u>
Total liabilities	<u>20,576,123</u>
Net assets:	
Invested in capital assets, net of related debt	9,565,389
Restricted	1,513,652
Unrestricted	<u>3,494,191</u>
Total net assets	<u>\$ 14,573,232</u>

The following is a significant current year transaction that has had an impact on the Statement of Net Assets.

- The addition of \$10,950,000 of general obligation bonds in long-term debt to be used for new construction.

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2003 were \$23,122,640. The total cost of all programs and services was \$23,051,535. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2003.

	<u>Amount</u>
Revenues:	
Program revenues	\$ 3,662,037
General revenues	<u>19,460,603</u>
Total revenues	<u>23,122,640</u>
Expenses:	
Instruction	13,223,756
Support services	6,715,017
Non-instructional	1,409,364
Sixteenth section	48,051
Facilities acquisition and construction	1,207,959
Interest on long-term liabilities	<u>447,388</u>
Total expenses	<u>23,051,535</u>
Increase in net assets	\$ <u>71,105</u>

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$ 13,223,756	\$ (11,205,005)
Support services	6,715,017	(6,273,439)
Non-instructional	1,409,364	(207,656)
Sixteenth section	48,051	(48,051)
Facilities acquisition and construction	1,207,959	(1,207,959)
Interest on long-term liabilities	<u>447,388</u>	<u>(447,388)</u>
Total expenses	<u>\$ 23,051,535</u>	<u>\$ (19,389,498)</u>

- Net cost of governmental activities (\$19,389,498), was financed by general revenue, which is made up of primarily property taxes (\$7,059,117) and state revenue (\$11,525,362).
- Investment earnings accounted for \$435,531 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$15,310,754. \$3,702,722 or 21% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$122,830. The fund balance of Other Governmental Funds reflected \$1,727,282 and showed a decrease of \$684,601.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget.

- Budget amounts for revenue from state sources was increased to full funding for Mississippi Adequate Education. The original budgeted amounts underestimated for potential cuts by the Mississippi legislature. This was done upon suggestion of the Mississippi Department of Education.
- Budgeted amounts for facilities acquisition and construction expenditures were decreased due primarily to school construction being delayed until the next fiscal year.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2003, the District's total capital assets were \$25,833,095, including school buildings, buses, other school vehicles and furniture and equipment. Total accumulated depreciation as of June 30, 2003 was \$7,767,265 and total depreciation expense for the year was \$662,214, resulting in total net assets of \$18,065,830.

Additional information of the District's capital assets can be found in Notes.

Debt Administration. At June 30, 2003, the District had \$18,803,352 in general obligation bonds and other long-term debt outstanding, of which \$739,822 is due within one year.

The District maintains an AA bond rating.

Additional information of the District's long-term debt can be found in Notes.

CURRENT ISSUES

The Pearl School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The millage has increased over years. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will increase 39 students. The budget for the next fiscal year has taken into account this increase in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Pearl Schools, 3375 Highway 80 East, Pearl, MS 39208.

PEARL PUBLIC SCHOOL DISTRICT

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PEARL PUBLIC SCHOOL DISTRICT

FINANCIAL STATEMENTS

PEARL PUBLIC SCHOOL DISTRICT

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PEARL PUBLIC SCHOOL DISTRICT
Statement of Net Assets
June 30, 2003

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 16,405,577
Cash with fiscal agents	348
Investments	122,915
Due from other governments	458,199
Other receivables, net	22,676
Inventories and prepaid items	18,980
Restricted assets	54,830
Capital assets, net	<u>18,065,830</u>
 Total Assets	 <u>35,149,355</u>
Liabilities	
Accounts payable and accrued liabilities	142,052
Due to other governments	1,497,587
Deferred revenue	133,132
Long-term liabilities, due within one year	
Capital related liabilities	739,822
Long-term liabilities, due beyond one year	
Capital related liabilities	17,855,000
Non-capital related liabilities	<u>208,530</u>
 Total Liabilities	 <u>20,576,123</u>
Net Assets	
Investment in capital assets, net of related debt	9,565,389
Restricted net assets:	
Expendable:	
School-based activities	699,614
Debt service	223,729
Forestry improvements	33,488
Unemployment benefits	181,991
Non-expendable:	
Sixteenth section	374,830
Unrestricted	<u>3,494,191</u>
 Total Net Assets	 <u>\$ 14,573,232</u>

The notes to the financial statements are an integral part of this statement.

PEARL PUBLIC SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2003

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in Net Assets
			Contributions	Contributions	Governmental
					Activities
Governmental Activities:					
Instruction	\$ 13,223,756	702,215	1,253,220	63,316	(11,205,005)
Support services	6,715,017		441,578		(6,273,439)
Non-instructional	1,409,364	490,157	711,551		(207,656)
Sixteenth section	48,051				(48,051)
Facilities acquisition and construction	1,207,959				(1,207,959)
Interest on long-term liabilities	447,388				(447,388)
Total Governmental Activities	\$ <u>23,051,535</u>	<u>1,192,372</u>	<u>2,406,349</u>	<u>63,316</u>	<u>(19,389,498)</u>
General Revenues:					
Taxes:					
General purpose levies					5,815,713
Debt purpose levies					1,243,404
Unrestricted grants and contributions:					
State					11,525,362
Federal					39,383
Unrestricted investment earnings					435,531
Sixteenth section sources					109,648
Other					291,562
Total General Revenues					<u>19,460,603</u>
Change in Net Assets					<u>71,105</u>
Net Assets - Beginning					15,103,076
Prior period adjustments					(600,949)
Net Assets - Beginning - Restated					<u>14,502,127</u>
Net Assets - Ending					<u>\$ 14,573,232</u>

The notes to the financial statements are an integral part of this statement.

PEARL PUBLIC SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2003

Exhibit C

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Building</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 4,725,813	10,354,268	1,380,326	16,460,407
Cash with fiscal agents			348	348
Investments			122,915	122,915
Due from other governments	262,638		195,561	458,199
Other receivables, net	7,700		14,976	22,676
Due from other funds	261,132		13,391	274,523
Advance to other funds			320,000	320,000
Inventories and prepaid items			18,980	18,980
Total Assets	\$ <u>5,257,283</u>	<u>10,354,268</u>	<u>2,066,497</u>	<u>17,678,048</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 119,949		22,103	142,052
Due to other funds	1,114,612	473,518	183,980	1,772,110
Advances from other funds	320,000			320,000
Deferred revenue			133,132	133,132
Total Liabilities	<u>1,554,561</u>	<u>473,518</u>	<u>339,215</u>	<u>2,367,294</u>
Fund Balances:				
Reserved for:				
Advances			320,000	320,000
Inventory			18,980	18,980
Unreserved:				
Undesignated, reported in:				
General Fund	3,702,722			3,702,722
Special Revenue Funds			1,010,935	1,010,935
Capital Projects Funds		9,880,750	98,808	9,979,558
Debt Service Funds			223,729	223,729
Permanent Funds			54,830	54,830
Total Fund Balances	<u>3,702,722</u>	<u>9,880,750</u>	<u>1,727,282</u>	<u>15,310,754</u>
Total Liabilities and Fund Balances	\$ <u>5,257,283</u>	<u>10,354,268</u>	<u>2,066,497</u>	<u>17,678,048</u>

The notes to the financial statements are an integral part of this statement.

PEARL PUBLIC SCHOOL DISTRICT

Exhibit C-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2003

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 15,310,754
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities, but are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$7,767,265.	18,065,830
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(18,803,352)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 14,573,232</u></u>

The notes to the financial statements are an integral part of this statement.

PEARL PUBLIC SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2003

	Major Funds		Other	Total
	General	Building	Governmental	Governmental
	Fund	Fund	Funds	Funds
Revenues:				
Local sources	\$ 6,982,776	181,205	1,742,661	8,906,642
State sources	11,152,205		948,425	12,100,630
Federal sources	40,736		1,892,317	1,933,053
Sixteenth section sources			162,156	162,156
Total Revenues	<u>18,175,717</u>	<u>181,205</u>	<u>4,745,559</u>	<u>23,102,481</u>
Expenditures:				
Instruction	11,368,067		1,456,750	12,824,817
Support services	6,042,626	84,183	534,118	6,660,927
Noninstructional services	241,056		1,117,895	1,358,951
Sixteenth section	33,968		14,083	48,051
Facilities acquisition and construction		1,166,272	41,687	1,207,959
Debt service:				
Principal			1,610,000	1,610,000
Interest	35,303		410,534	445,837
Other			1,551	1,551
Total Expenditures	<u>17,721,020</u>	<u>1,250,455</u>	<u>5,186,618</u>	<u>24,158,093</u>
Excess (Deficiency) of Revenues over Expenditures	<u>454,697</u>	<u>(1,069,250)</u>	<u>(441,059)</u>	<u>(1,055,612)</u>
Other Financing Sources (Uses):				
Proceeds of general obligation bonds		10,950,000		10,950,000
Insurance loss recoveries	20,159			20,159
Sale of other property	4,000			4,000
Operating transfers in	125,000		263,515	388,515
Operating transfers out	(263,515)		(125,000)	(388,515)
Total Other Financing Sources (Uses)	<u>(114,356)</u>	<u>10,950,000</u>	<u>138,515</u>	<u>10,974,159</u>
Net Change in Fund Balances	<u>340,341</u>	<u>9,880,750</u>	<u>(302,544)</u>	<u>9,918,547</u>
Fund Balances:				
July 1, 2002	3,579,892		2,411,883	5,991,775
Prior period adjustments	(217,511)		(383,438)	(600,949)
July 1, 2002, as restated	<u>3,362,381</u>		<u>2,028,445</u>	<u>5,390,826</u>
Increase in reserve for inventory			1,381	1,381
June 30, 2003	<u>\$ 3,702,722</u>	<u>9,880,750</u>	<u>1,727,282</u>	<u>15,310,754</u>

The notes to the financial statements are an integral part of this statement.

PEARL PUBLIC SCHOOL DISTRICT

Exhibit D-1

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2003

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 9,918,547
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$175,859 and the depreciation expense amounted to \$662,214.	(486,355)
2. Proceeds of long-term liabilities are reported in the governmental funds, but not in the Statement of Activities.	(10,950,000)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	1,610,000
4. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	1,381
5. Proceeds from the sale of assets are reported in the governmental funds as revenues, but only the gain or loss on the sale of assets is reported in the Statement of Activities.	(4,000)
6. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(22,650)
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>4,182</u>
Change in Net Assets of Governmental Activities	\$ <u><u>71,105</u></u>

The notes to the financial statements are an integral part of this statement.

PEARL PUBLIC SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2003

Exhibit E

		Agency Funds
Assets		
Cash and cash equivalents	\$	221,945
Due from other funds		<u>1,633,363</u>
Total Assets	\$	<u><u>1,855,308</u></u>
Liabilities		
Accounts payable and accrued liabilities	\$	1,633,513
Due to other funds		135,776
Due to student clubs		<u>86,019</u>
Total Liabilities	\$	<u><u>1,855,308</u></u>

The notes to the financial statements are an integral part of this statement.

PEARL PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2003

(1) Summary of Significant Accounting Policies.

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Pearl since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation.

The school district's basic financial statement consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

PEARL PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2003

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and Agency Funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Building Fund - This fund is used to account for financial resources for the acquisition or construction of major capital facilities.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of fund financial statements.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Permanent Funds - Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

PEARL PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

F. Cash and Cash Equivalents.

The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. Investments.

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

H. Inventories and Prepaid Items.

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

PEARL PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2003

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide Statement of Net Assets. See Note 6 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 4 for details for interfund transactions, including receivables and payables at year-end.

PEARL PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

M. Property Taxes.

Ad valorem property taxes are levied by the governing authority of the city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

N. Mississippi Adequate Education Program Revenues.

Revenues from the adequate education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

PEARL PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2003

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

(2) Changes in Accounting Principles and Restatement of Fund Balance.

For the fiscal year ended June 30, 2003, the school district implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

At June 30, 2003, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the school district's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances, June 30, 2002				
As Originally Presented	\$ 3,579,892		1,519,411	5,099,303
GASB Statement No. 34 Adjustments and Restatements:				
Changes in fund structure			892,472	892,472
Restated Fund Balance, June 30, 2002	\$ <u>3,579,892</u>	<u>0</u>	<u>2,411,883</u>	<u>5,991,775</u>
GASB Interpretation 6:				
Compensated absences payable				(212,712)
GASB Statement No. 34 Adjustment:				
Capital assets				21,659,864
Long-term liabilities				(9,575,000)
Unexplained adjustment to depreciable capital assets				(3,081,029)
Three-mill note overstated				178
Reclassification of sixteenth section principal loan				320,000
Governmental Activities Net Assets, June 30, 2002			\$ <u>15,103,076</u>	

PEARL PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2003

(3) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

Cash and Cash Equivalents.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions was \$16,682,352, and the bank balance was \$17,105,351.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$348.

Investments.

Except for nonparticipating investment contracts and for participating interest-earning investment contracts and money market investments that had a remaining maturity at the time of purchase of one year or less, investments are reported at fair value which is based on quoted market price. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Participating interest-earning investment contracts and money market investments that had a remaining maturity at time of purchase of one year or less are reported at amortized cost.

Investments made by the school district that are included on the balance sheet are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the categories described below:

Category 1 - Insured or registered or for which the securities are held by the school district or its agent in the school district's name.

Category 2 - Uninsured and unregistered for which the securities are held by the broker or dealer's trust department or agent in the school district's name.

Category 3 - Uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the school district's name.

Investment Type	Category			Carrying Amount	Market Value
	1	2	3		
U.S. Treasury bills	\$ 122,332			122,332	122,915
Subtotal	\$ 122,332	0	0	122,332	122,915
Total Investments				\$ 122,332	122,915

PEARL PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$ 261,132	1,114,612
Building Fund		473,518
Other governmental funds	13,391	183,980
Fiduciary funds	<u>1,633,363</u>	<u>135,776</u>
Total	<u>\$ 1,907,886</u>	<u>1,907,886</u>

B. Advances To/From Other Funds:

	<u>Advances To</u>	<u>Advances From</u>
Governmental Funds:		
General Fund	\$	320,000
Other governmental funds	<u>320,000</u>	
Total	<u>\$ 320,000</u>	<u>320,000</u>

Note: The sixteenth section principal loans payable is not reflected on the statement of net assets because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on Exhibit D-1.

Sixteenth section principal loans payable.

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 57,055	16,470	73,525
2005	60,334	13,192	73,526
2006	63,801	9,725	73,526
2007	67,467	6,059	73,526
2008	<u>71,343</u>	<u>2,183</u>	<u>73,526</u>
Total	<u>\$ 320,000</u>	<u>47,629</u>	<u>367,629</u>

PEARL PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

C. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 125,000	263,515
Other governmental funds	<u>263,515</u>	<u>125,000</u>
Total	<u>\$ 388,515</u>	<u>388,515</u>

(5) Capital Assets.

The following is a summary of changes in capital assets for governmental activities:

	<u>Balance 7-1-2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Adjustments</u>	<u>Balance 6-30-2003</u>
<u>Non-depreciable capital assets:</u>						
Land	\$ 134,110					134,110
Construction in progress					1,166,272	1,166,272
Total non-depreciable capital assets	<u>134,110</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,166,272</u>	<u>1,300,382</u>
<u>Depreciable capital assets:</u>						
Buildings	25,221,711				(3,044,568)	22,177,143
Improvements other than buildings	805,610				4,370	809,980
Mobile equipment	1,940,662	128,409			(822,646)	1,246,425
Furniture and equipment	662,822	47,450	26,650		(384,457)	299,165
Total depreciable capital assets	<u>28,630,805</u>	<u>175,859</u>	<u>26,650</u>	<u>0</u>	<u>(4,247,301)</u>	<u>24,532,713</u>
<u>Less accumulated depreciation for:</u>						
Buildings	6,070,694	477,442				6,548,136
Improvements other than buildings	375,269	40,499				415,768
Mobile equipment	513,578	103,710				617,288
Furniture and equipment	145,510	40,563				186,073
Total accumulated depreciation	<u>7,105,051</u>	<u>662,214</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,767,265</u>
Total depreciable capital assets, net	<u>21,525,754</u>	<u>(486,355)</u>	<u>26,650</u>	<u>0</u>	<u>(4,247,301)</u>	<u>16,765,448</u>
Governmental activities capital assets, net	<u>\$ 21,659,864</u>	<u>(486,355)</u>	<u>26,650</u>	<u>0</u>	<u>(3,081,029)</u>	<u>18,065,830</u>

Adjustments were made to capital assets to reflect the unsubstantiated balance reported by the school district on the June 30, 2003, financial statements.

PEARL PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 403,121
Support services	207,299
Non-instructional	<u>51,794</u>
Total depreciation expense	\$ <u><u>662,214</u></u>

Commitments under construction contracts at June 30, 2003, are summarized as follows:

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
Pearl Jr. High School softball field	\$ 4,610	0
Pearl Lower Elementary School	<u>7,635,882</u>	<u>0</u>
Total	\$ <u><u>7,640,492</u></u>	<u><u>0</u></u>

(6) Long-term Liabilities.

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	<u>Balance 7-1-2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance 6-30-2003</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 6,865,000	10,950,000	1,010,000		16,805,000	505,000
B. Limited obligation bonds payable	2,165,000		490,000		1,675,000	120,000
C. Three mill notes payable	225,000		110,000	(178)	114,822	114,822
D. Compensated absences payable	212,712		4,182		208,530	
E. Sixteenth section principal loans payable	<u>320,000</u>			<u>(320,000)</u>		
Total	\$ <u><u>9,787,712</u></u>	<u><u>10,950,000</u></u>	<u><u>1,614,182</u></u>	<u><u>(320,178)</u></u>	<u><u>18,803,352</u></u>	<u><u>739,822</u></u>

An adjustment in the amount of \$178 was made to correct the overstatement of the June 30, 2003, account balance for the three mill notes payable.

An adjustment in the amount of \$320,000 was made to reclassify sixteenth section principal loans payable to advances to/from other funds.

PEARL PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2003

A. General obligation bonds payable.

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation bonds, Series 1998	Varies	03-01-98	03-01-18	\$ 7,000,000	5,855,000
General obligation bonds, Series 2003	Varies	03-01-03	03-01-19	<u>10,950,000</u>	<u>10,950,000</u>
Total				\$ <u>17,950,000</u>	<u>16,805,000</u>

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 505,000	822,655	1,327,655
2005	640,000	794,555	1,434,555
2006	675,000	759,705	1,434,705
2007	725,000	723,005	1,448,005
2008	775,000	683,655	1,458,655
2009 - 2013	5,100,000	2,366,475	7,466,475
2014 - 2018	7,245,000	1,191,516	8,436,516
2019 - 2023	<u>1,140,000</u>	<u>51,300</u>	<u>1,191,300</u>
Total	\$ <u>16,805,000</u>	<u>7,392,866</u>	<u>24,197,866</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2003, the amount of outstanding bonded indebtedness was equal to 13% of property assessments as of October 1, 2002. This debt will be retired from the Bond Account Funds.

PEARL PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

B. Limited obligation bonds payable.

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement	Varies	04-01-98	08-01-13	\$ <u>3,000,000</u>	<u>1,675,000</u>
Total				\$ <u>3,000,000</u>	<u>1,675,000</u>

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 120,000	66,215	186,215
2005	125,000	61,193	186,193
2006	130,000	55,965	185,965
2007	140,000	50,430	190,430
2008	145,000	52,116	197,116
2009 - 2013	<u>1,015,000</u>	<u>119,282</u>	<u>1,134,282</u>
Total	\$ <u>1,675,000</u>	<u>405,201</u>	<u>2,080,201</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Debt Retirement Fund.

C. Three mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three mill notes payable	Varies	03-04-94	03-04-04	\$ <u>950,000</u>	<u>114,822</u>
Total				\$ <u>950,000</u>	<u>114,822</u>

PEARL PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2004	\$ 114,822	5,233	120,055
Total	\$ 114,822	5,233	120,055

This debt will be retired from the EEF - Buildings & Buses Fund.

D. Compensated absences payable.

As more fully explained in Note 1(O), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2003, 2002 and 2001 were \$1,212,480, \$1,161,218 and \$1,119,930, respectively, which equaled the required contributions for each year.

(8) Other Commitments.

Commitments under construction contracts are described in Note 5.

Commitments under re-roofing and renovation contracts amount to \$546,277.

(9) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

PEARL PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

<u>Year Ending June 30</u>	<u>Amount</u>
2004	\$ 99,844
2005	99,844
2006	75,158
2007	73,535
2008	68,735
2009 - 2013	319,275
2014 - 2018	276,275
2019 - 2023	220,025
2024 - 2028	192,675
Thereafter	<u>122,880</u>
Total	\$ <u><u>1,548,246</u></u>

(10) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To correct a prior year error in recording an asset or liability.	\$ <u><u>(600,949)</u></u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Major funds</u>	<u>Explanations</u>	<u>Amount</u>
General Fund	To correct a prior year error in recording an asset or liability.	\$ (217,511)
Other governmental funds	To correct a prior year error in recording an asset or liability.	<u>(383,438)</u>
Total		\$ <u><u>(600,949)</u></u>

PEARL PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2003

(11) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Trustmark National Bank in Jackson. The funds in the trust account are used to pay any claim up to \$175,000. For a claim exceeding \$175,000, MSBAWCT has insurance which will pay the excess up to \$1,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

PEARL PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

PEARL PUBLIC SCHOOL DISTRICT

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PEARL PUBLIC SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2003

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 7,573,875	7,600,875	6,982,776	27,000	(618,099)
State sources	10,925,763	10,843,193	11,152,205	(82,570)	309,012
Federal sources	55,000	55,000	40,736		(14,264)
Total Revenues	<u>18,554,638</u>	<u>18,499,068</u>	<u>18,175,717</u>	<u>(55,570)</u>	<u>(323,351)</u>
Expenditures:					
Instruction	12,039,085	12,096,395	11,368,067	(57,310)	728,328
Support services	6,296,035	6,316,035	6,042,626	(20,000)	273,409
Noninstructional services	160,025	189,025	241,056	(29,000)	(52,031)
Sixteenth section			33,968		(33,968)
Facilities acquisition and construction	12,500	12,500			12,500
Debt service:					
Interest			35,303		(35,303)
Total Expenditures	<u>18,507,645</u>	<u>18,613,955</u>	<u>17,721,020</u>	<u>(106,310)</u>	<u>892,935</u>
Excess (Deficiency) of Revenues over Expenditures	<u>46,993</u>	<u>(114,887)</u>	<u>454,697</u>	<u>(161,880)</u>	<u>569,584</u>
Other Financing Sources (Uses):					
Insurance loss recoveries			20,159		20,159
Sale of other property			4,000		4,000
Operating transfers in	1,678,165	616,855	125,000	(1,061,310)	(491,855)
Other financing sources		1,500		1,500	(1,500)
Operating transfers out	(1,860,565)	(789,255)	(263,515)	1,071,310	525,740
Total Other Financing Sources (Uses)	<u>(182,400)</u>	<u>(170,900)</u>	<u>(114,356)</u>	<u>11,500</u>	<u>56,544</u>
Net Change in Fund Balances	<u>(135,407)</u>	<u>(285,787)</u>	<u>340,341</u>	<u>(150,380)</u>	<u>626,128</u>
Fund Balances:					
July 1, 2002	2,601,900	2,653,900	3,579,892	52,000	925,992
Prior period adjustments			(217,511)		(217,511)
July 1, 2002, as restated	<u>2,601,900</u>	<u>2,653,900</u>	<u>3,362,381</u>	<u>52,000</u>	<u>708,481</u>
June 30, 2003	<u>\$ 2,466,493</u>	<u>2,368,113</u>	<u>3,702,722</u>	<u>(98,380)</u>	<u>1,334,609</u>

The notes to the required supplementary information are an integral part of this statement.

PEARL PUBLIC SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2003

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before the date established by the Mississippi Department of Education. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

PEARL PUBLIC SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

PEARL PUBLIC SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 101,492
Child nutrition cluster:		
School breakfast program	10.553	104,943
National school lunch program	10.555	528,865
Total child nutrition cluster		633,808
Total U.S. Department of Agriculture		735,300
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	57,610
Total Other Federal Assistance		57,610
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	1,123
Total		1,123
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	354,830
Vocational education - basic grants to states	84.048	18,347
Safe and drug-free schools and communities - state grants	84.186	17,271
Eisenhower professional development state grants	84.281	185,471
Innovative education program strategies	84.298	24,587
Total		600,506
Special education cluster:		
Special education - grants to states	84.027	490,680
Special education - preschool grants	84.173	33,574
Total		524,254
Total passed-through Mississippi Department of Education		1,124,760
Total U.S. Department of Education		1,125,883
Total for All Federal Awards		\$ 1,918,793

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

PEARL PUBLIC SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

PEARL PUBLIC SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
Pearl Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pearl Public School District as of and for the year ended June 30, 2003, and have issued our report thereon dated April 20, 2004. Our report is qualified on the governmental activities because the school district did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the school district in a separate letter dated April 20, 2004, which is included in this report.

Internal Control Over Financial Reporting

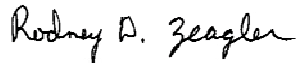
In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our opinion, could adversely affect the school district's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the Schedule of Findings and Questioned Costs as Findings 03-1 and 03-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not also disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the findings referred to above, we consider Finding 03-1 to be a material weakness.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

April 20, 2004



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Pearl Public School District

Compliance

We have audited the compliance of the Pearl Public School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, Pearl Public School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

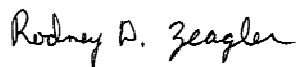
The management of the Pearl Public School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

April 20, 2004

PEARL PUBLIC SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

PEARL PUBLIC SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Pearl Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pearl Public School District as of and for the year ended June 30, 2003, and have issued our report thereon dated April 20, 2004. Our report is qualified on the governmental activities because the school district did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$47,151 of classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding

The district failed to share sixteenth section revenue with school districts where township land areas are shared.

Recommendation

The district should comply with Section 29-3-119, Miss. Code Ann. (1972), which requires that sixteenth section revenues be properly divided with school districts with shared townships.

School District's Response

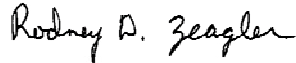
A check will be issued for this on May 11, 2004.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

April 20, 2004

PEARL PUBLIC SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PEARL PUBLIC SCHOOL DISTRICT

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PEARL PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-----------|
| 1. | Type of auditor's report issued on the financial statements: | Qualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | Yes |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding(s) reported as required by Section ____510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Child nutrition cluster:
CFDA #10.553
CFDA #10.555 | |
| b. | Special education cluster:
CFDA #84.027
CFDA #84.173 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No |

PEARL PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003

Section 2: Financial Statement Findings

Material Weakness

03-1. Finding

The district did not maintain adequate subsidiary records documenting the existence, completeness and valuation of its capital assets. Approximately \$6,000,000 of the buildings account balance was not supported by subsidiary records. The correct useful life was not used to calculate depreciation for a number of assets and some assets that were depreciated beyond their useful lives were not reported on the subsidiary records. The lack of documentation resulted in a qualified opinion on the governmental activities in the independent auditor's report.

Recommendation

The district should implement policies and procedures to insure assets belonging to the districts are accounted for in a manner consistent with the requirements of the *Financial Accounting Manual for Mississippi Public School Districts* and the *Mississippi Public School Asset Management Manual*.

Reportable Condition Not Considered to be a Material Weakness

03-2. Finding

The following deficiencies were noted during our examination of ten sixteenth section lease payments:

- A. Deposits were not made timely.
- B. The district does not prepare receipts for sixteenth section lease payments.

Recommendation

The district should implement policies and procedures to correct the above noted weaknesses. At a minimum, the district should implement the following procedures:

- A. Deposits should be made in a timely manner.
- B. Receipts should be prepared for all funds received by the district.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

PEARL PUBLIC SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

PEARL PUBLIC SCHOOL DISTRICT

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PEARL PUBLIC SCHOOL DISTRICT

3375 HIGHWAY 80 EAST
P. O. Box 5750
PEARL, MISSISSIPPI 39288-5750

April 30, 2004

Rodney D. Zeagler, CPA
Director
Financial & Compliance Audit Division
P. O. Box 956
Jackson, Mississippi 39205

Dear Mr. Zeagler:

As required by Section .315© of OMB Circular A-133, the Pearl Public School District has prepared and hereby submits the following correction action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2003:

- 03-1. *The district did not maintain adequate subsidiary records documenting the existence, completeness and valuation of its capital assets. Approximately \$6,000,000. Of the buildings account balance was not supported by subsidiary records. The correct useful life was not used to calculate depreciation for a number of assets and some assets that were depreciated beyond their useful lives were not reported on the subsidiary records. The lack of documentation resulted in a scope limitation and modified opinion in the independent auditor's report*

Contact Person: Billie Arnold, Business Manager (601 932-7917)

Correction Action Planned:

We had some multipurpose buildings at all campuses that had not been added to the inventory. This has been corrected. The Business Office has checked all accountable fixed assets. Depreciation has been done on a spreadsheet and we are working with our software vendor to get this corrected. This will be completed by May 31, 2004.

- 03-2. *The following deficiencies were noted during our examination of ten sixteenth section lease payments.*
- A. *Deposits were not made timely.*
 - B. *The district does not prepare receipts for sixteenth section lease payments.*

Contact Person: Billie Arnold, Business Manager (601 932-7917)

Correction Action Planned:

- A. Deposits are now being made timely.
- B. The district will prepare receipts for sixteenth section lease payments.

FINANCE DEPARTMENT

TELEPHONE: (601) 932-7917 • FAX: (601) 932-7929

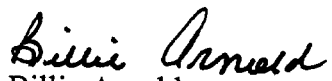
The district failed to share sixteenth section revenue with school district where township land areas are shared.

Contact Person: Billie Arnold, Business Manager (601 932-7917)

Correction Action Planned:

A check will be issued for this on May 11, 2004.

Sincerely yours,

A handwritten signature in cursive script that reads "Billie Arnold".

Billie Arnold
Business Manager